

**COUNTY OF FAUQUIER  
OFFICE OF THE COUNTY ADMINISTRATOR**

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July 1, 2003

Honorable Board of Supervisors and Citizens of Fauquier County

The budget for Fiscal Year (FY) 2004, adopted on March 25, 2003, has been prepared in accordance with Chapter 4 of Section 15.2 of the Code of Virginia. The Adopted Budget represents the official County plan of revenues and expenditures for the Fiscal Year of July 1, 2003 through June 30, 2004.

According to Virginia Code, a County budget is developed for “informative and fiscal planning purposes only”. It is prepared and developed as a plan of County operations, maintenance, capital outlay and debt service for a one-year period. The budget is designed to present plans for all estimated expenditures, revenues and issuance of debt. In other words, the County budget is a work plan, expressed in terms of dollars, representing a tool for fiscal management.

**BACKGROUND**

Major emphasis from the Board of Supervisors in developing the FY 2004 Budget was to address essential operational needs while minimizing the impact of taxes on County citizens. This objective was made more difficult due to stagnant economic conditions and the State’s intention to reduce funding support to the County and School Division. A significant element of the FY 2004 budget process was the Board of Supervisors interest in developing a revenue sharing program with the School Division. This revenue sharing program will serve as a known quantity of local support to the School Division from year to year. Several counties in the State use school revenue sharing effectively. Providing an appropriate level of support to the School Division, responding to reductions in State funding, maintaining essential operations and funding important growth in services and programs while minimizing the impact of taxes on County citizens was a significant challenge.

Despite these challenges, in its FY 2004 budget, Fauquier County maintained the real estate tax rate at the overall FY 1994 level of \$.99 per \$100 of assessed value. Of this tax rate, \$.92 supports General Fund operations, including local support to the School Division, and \$.07 is dedicated to the Fire and Rescue Levy that supports career emergency service operations and contributions to the Fire and Rescue Companies.

Although the County has not realized any substantial increase in revenues, stability in the County's financial position has been achieved by keeping expenditures within existing revenue levels.

For FY 2004, continued enhancements to citizen involvement and the use of the Internet were instrumental in improving the budget as a policy document and financial plan. Citizen involvement included expanded participation in numerous budget-working groups including the Capital Improvements

Program Committee that develops major capital funding recommendations for the next five years. Citizen involvement in the process allows the County to benefit from the perspective of taxpayers when developing the budget.

An Internet web page was established to provide information on budget timelines, status information and a budget summary to both citizens and County staff during the development process. The web page is also used to solicit and respond to inquiries concerning the budget and the budget process, as well as, other financial actions taken during the year. Use of the Internet as a mode of communication with citizens on budget issues will continue to expand in the future to include surveys and responses to budget related inquiries. For FY 2004, the budget can be accessed through the Internet or is available on CD.

Improvements for the budget year have been achieved by the County in spite of the impacts of adverse external influences, such as increases in unfunded mandates, reductions in State funding, uncertainties in the economy and the changing expectations of citizens in recent years. The fact that Fauquier County has been able to avoid reductions in essential support to our citizens while increasing high priority services and maintaining stable tax rates is a reflection of the quality of our planning process and our commitment to efficient government.

## **REVENUE PLAN**

Total taxable real property assessment values for Calendar Year (CY) 2003 are \$5.5 billion, an increase of \$.4 billion over CY 2002. Real property taxable parcels for CY 2003 total 28,776 or 1.9 percent over CY 2002. As previously noted real property tax rates remain unchanged from CY 2003.

The personal property tax rate will also remain unchanged at the 1998 level of \$4.65 per \$100 for motor vehicles. For FY 2004, the rates for special personal property tax classifications such as for handicapped equipment also remain at the 1998 level.

To minimize the tax burden on senior citizens in FY 2004, the Board of Supervisors continued its support of the Tax Relief for the Elderly program at the State's maximum authorized levels. Based on this level of qualification the number of participants in this program has increased 263 percent in the past two years.

State funding, due to the slowing economy, was reduced for the General County Government in a number of areas from FY 2003 funding levels. The Board of Supervisors offset this loss of State funding for key operations with local revenue. The reduction in State funding affected the School Division in several program area, however not to the level that had previously been projected. The State Legislature's budget priority of education coupled with, revised triennial school age child census data that determines sales tax distribution, actually resulted in an overall increase of nine percent in funding for the School Division over FY2003.

Reflecting the Board of Supervisors continued financial conservatism, the FY 2004 Budget does not contain any use of fund balance to support continuing operations. One of the County's principle financial policies is to establish and maintain an unreserved, undesignated General Fund balance of not less than five percent of General Fund Revenues. As this document is being completed, the Board of Supervisors is considering amending its fiscal policies to increase the General Fund balance reserve requirements. Through the maintenance of an adequate level of Fund balance, the County can help sustain operations during economic downturns, minimize adjustments in taxes and fees, and realize cost savings in issuing debt.

## **EXPENDITURE PLAN**

The FY 2004 Expenditure Plan for all County funds is \$159.9 million, an increase of \$3.5 million or 2.2 percent greater than the FY 2003 Adopted Budget. The primary factors for this increase are support for the School Division, debt service, maintenance and construction of facilities and planned expansion of the Warrenton - Fauquier Airport.

### **General Fund**

The General Fund expenditure plan, excluding Schools, totals \$37.3 million, an increase of 3.6 percent or \$1.3 million. Education continues to be a high priority with a budget allocation of \$83.2 million including a local funding commitment of \$59.0 million. Support to education increased by 6.3 percent over the amount in the FY 2003 Adopted Budget. The transfer to the School Division represents 61.3 percent of the General Fund appropriations, not including the allocation of shared services, which represents an additional \$5.3 million of local support. The percentage of General Fund appropriations supporting the School Division has increased by 4.0 percent from the FY 2003 level.

### **Personnel**

The FY 2004 Adopted Budget includes several changes in personnel related costs. These include staffing adjustments that occurred during FY 2003, and staffing, salary and benefit issues for FY 2004.

#### **Positions Added During FY 2003**

##### **General Fund Staffing Adjustments:**

Engineer

Court Service Officer

Community Development

Adult Court Services

##### **Other Funds Staffing Adjustments:**

Litter Control/Recycling Team Leader

Litter Control/Recycling Laborer (2)

Laborer

Environmental Services (Landfill)

Environmental Services (Landfill)

Airport

## Positions Added for FY 2004

### General Fund Supported Staffing Adjustments<sup>1</sup>:

Park Manager-Monroe Park*	Parks and Recreation
Maintenance Supervisor	Parks and Recreation
Laborer	Parks and Recreation
Tourism Program Coordinator	Economic Development

\* *Part-Time Permanent to Full-Time Permanent.*

Employee compensation and health insurance costs received priority for FY 2004. The system-wide Pay for Performance Program initiative implemented in FY 2001 to improve employee retention continued to be emphasized. Originally, the merit pay pool for FY 2004 was three percent of salaries. Subsequent to the adoption of the budget and before the budget was published, the Board of Supervisors increased the merit pay pool to four percent, the same level of support as FY 2003. Actual compensation awards will range higher and lower based on the results of the merit evaluations. While other local jurisdictions are proposing, and in some cases have approved, higher pay packages, the economic conditions precluded a higher compensation amount. To avoid an increase to the employee health care costs, the County will absorb the projected increase to the program for FY 2004.

## **General Government Administration**

General Government Administration represents 7.1 percent, or \$7.2 million of the total General Fund expenditures. General Government Administration includes 12 departments: Board of Supervisors, Commissioner of the Revenue, County Administration, County Attorney, Finance, Independent Auditor, Information Technology, Budget Office, Human Resource Management, Geographic Information Systems, Registrar and the Treasurer. The FY 2004 General Government Administration budget increased 5.1 percent from FY 2003, primarily due to additional funding support to the Independent Auditor as a result of work related to accounting adjustments required Government Accounting Standards Board Statement No. 34. Support to the County Registrar was also increased to respond to reduced State funding and administrative responsibilities

<sup>1</sup> Positions added by the Board of Supervisors as an increase to the County Administrator's Proposed Budget.

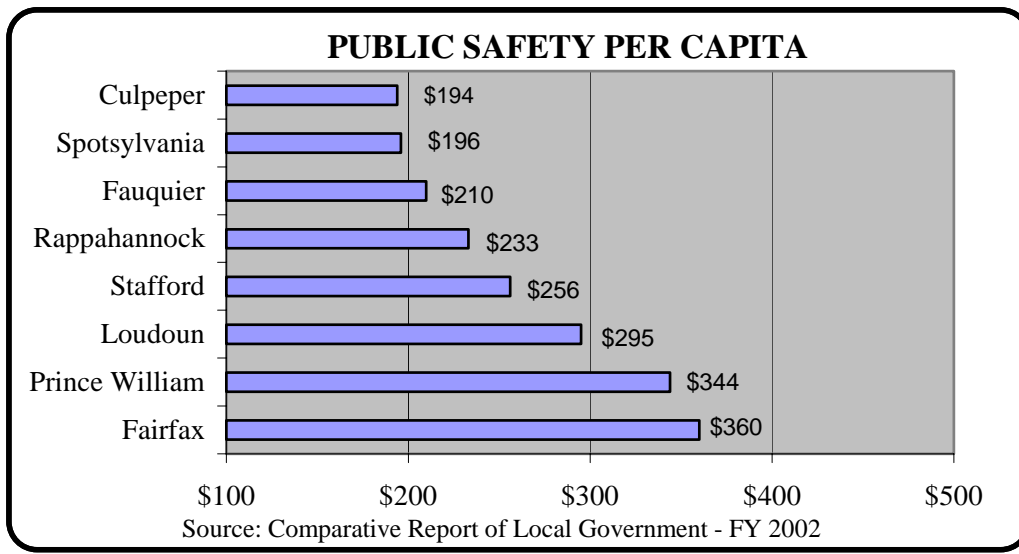
no longer performed by the State. In this budget category, with the exception of merit pay adjustments, 67 percent of the departments received no operational funding increase for FY 2004.

### **Judicial Administration**

Judicial Administration appropriations of \$2.3 million represent 2.3 percent of the total General Fund budget. This is an increase of 4.8 percent over the FY 2003 funding level. This category includes Adult Court Services, Circuit Court, Clerk of the Circuit Court, Commissioner of Accounts, Commonwealth's Attorney, General District Court, Juvenile and Domestic Relations Court and the Magistrates. Adding a court service officer during FY 2003 and providing increased funding for temporary clerical support for Adult Court Service to address a 31 percent increase in case load, is a major contributing factor in increased funding for FY 2004. Another contributing factor is funding for document indexing, which has increased 44 percent over the past 18 months, in the Clerk of the Circuit Court's Office. It should also be noted that for FY 2004 the Law Library function and funding has been transferred to the Public Library. It is also significant to note that with the exception of merit pay adjustments, over 40 percent of the offices and agencies in this budget category have received no funding increase or were reduced in funding the past two years.

### **Public Safety**

Public Safety related appropriations represent 8.5 percent or \$8.5 million of the total General Government expenditures. This category includes the Detention Center, Regional Jail Facility, Juvenile Detention, Juvenile Probation and the Sheriff's Office. For FY 2004, State-funding reductions for the Regional Adult Jail Facility and the Loudoun County Juvenile Detention Center, combined with an approximate 29 percent increase in the number of juveniles requiring confinement, resulted in increased costs to the County. Additional support to the Juvenile Probation Program is also provided through funding for the Piedmont Dispute Resolution Center that provides a wide range of mediation services for juveniles and families. The Sheriff's Office received a modest increase in funding that included part time temporary staff to provide enhanced court security, assist in maintaining the evidence room and for polygraph service in FY 2004.



Concern for the safety of uniformed personnel resulted in increased funding for the replacement of vehicles. The Capital Fund appropriation for purchase of Sheriff's vehicles was increased from \$250,000 to \$337,400 for FY 2004. Public Safety remains a high priority in County operations.

### **Public Works**

Public Works, consisting of the Solid Waste Convenience Sites and the Department of General Services, represents 4.2 percent or \$4.3 million of the General Fund budget. The relatively small increase of 1.4 percent from the FY 2003 funding level was primarily the result of reducing Convenience Site waste-tipping fees charged by the Environmental Services Landfill from \$38 to \$30. The General Services Department received approval for a part-time temporary Construction Manager to assist in providing oversight of the increasing number of major construction and renovation projects.

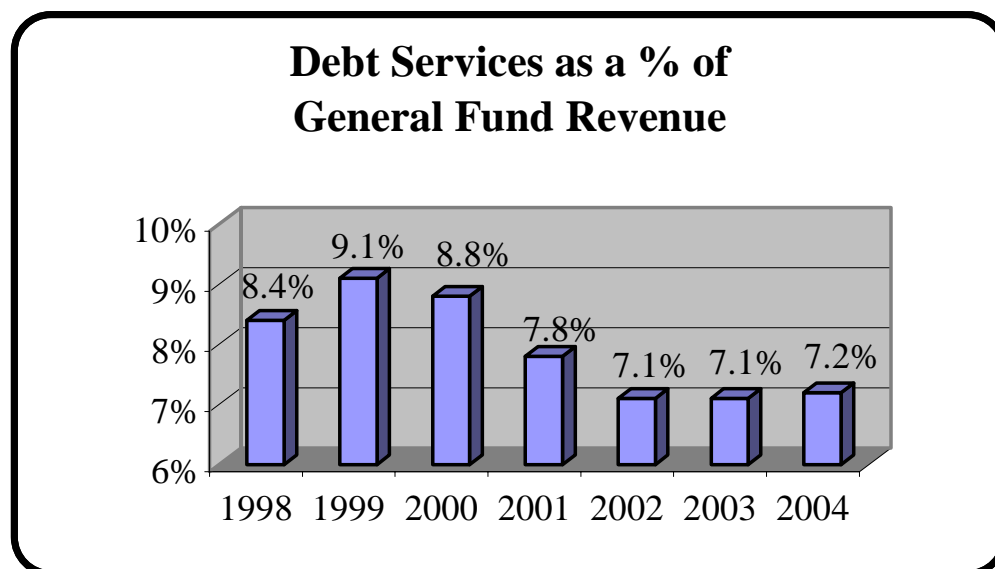
### **Health and Welfare**

The Health and Welfare related appropriations of \$6.5 million represent 6.4 percent of the total General Fund budget. This is an increase of 2.7 percent from FY 2003. This financial category includes the Community Services Board, Comprehensive Services Act (CSA) Office, Institutional Care, Public Health and Social Services. Funding for Institutional Care will increase approximately 38 percent in FY 2004 due to reductions in Medicaid reimbursement rates and increasing operating costs of the Birmingham Green facility. Additional funding

will also be required for Social Services programs. However, most of the increase for programs such as day care and foster care will be supported by State revenue. Improved coordination of efforts in the CSA program dealing with special needs youth and their families resulted in the smallest increase in funding since the program was implemented. After several years of double digit percentage increases, this is encouraging progress. Reduced State funding to the local Public Health program resulted in a corresponding reduction in the required local match.

### **Debt Service**

General Fund Debt Service reflects the FY 1997 lease/purchase of the office building at 320 Hospital Hill that houses five County departments and the School Administrative Offices. It also includes the lease/purchase funds for the building of



a branch library in Bealeton and debt service related to purchase of a new emergency public radio system.

The School Operating Fund accounts for 80.8 percent, or \$5.9 million, of the County's total debt service expense. Planned borrowing in FY 2004 includes: \$12.4 million from the Virginia Public School Authority for the final installment to construct the \$17.2 million new Auburn Middle School and the first of two borrowings to renovate the Claude Thompson Elementary School. The debt service cost will appear in the FY 2005 Budget. In analyzing the need for new or upgraded facilities and funding alternatives, the County continues to maintain debt service within the 10 percent of General Fund Revenue guideline established by the Board of Supervisors.



### **School Operating Fund**

The School Operating Fund budget totals \$92.3 million, an increase of \$5.5 million or 6.3 percent. Local County funding transfers increased \$2.3 million or 4.0 percent to \$61.3 million. Under the revenue sharing initiative for FY 2004, the School Division received 60 percent of the total General Fund funding increase from FY 2003. The Board of Supervisors' emphasis on education in FY 2004 was shown in its full funding of the School Division's budget request. This level of support addressed adjustments in starting teacher salaries and increases in other employee compensation ranging from 2.5 percent to 7.5 percent. Adequate funding of teacher salaries remains a high priority of the Board of Supervisors. The most significant impact of the increased funding level was the School Division's ability to add 38 new positions, 24.5 of which were new teacher positions, to address instructional concerns such as class size. For FY 2005, continued adherence to the revenue sharing allocation formula is anticipated.

### **Capital Improvements Fund**

The addition to the Capital Improvements Fund, including the Capital Improvements Program (CIP), for FY 2004 totals \$11.2 million. The School Division will receive 89.2 percent or \$9.9 million of the capital funds. State grants, construction and lottery proceeds constitute \$1.1 million of these funds. School projects include replacement of roofs and HVAC systems, replacement of student lockers at Fauquier High School, connection to public water for P.B. Smith Elementary, upgrades to water treatment facilities, purchase of eight school buses, replacement of food service equipment, and the provision of approximately \$1.2 million for technology related projects. For FY 2004 the School Division added \$317,000 for textbook replacements and the General Government established a middle school reserve to address operating costs when the Auburn Middle School opens in FY 2005. The most significant School Division issues are \$5.8 million in borrowing to complete Auburn Middle School and the beginning of a two-year project to renovate Claude Thompson Elementary. The School Comprehensive Maintenance Plan (CMP) received an increase in funding as well. The CMP addresses facility repair projects under \$50,000.

The General Government Capital Fund projects included in the FY 2004 Budget comprised primarily of roof and HVAC replacements, funding technology issues, replacing nine Sheriff's vehicles and increasing support to the General Government and Parks and Recreation Capital Maintenance Plans. Included in the

Capital Fund is \$100,000 for the Purchase of Development Rights to preserve the County's agricultural heritage and \$60,000 for ground water investigation to determine quantity and quality of water in the County. As part of the FY 2004 budget process, \$1.9 million in additional projects were funded in the current year from School Division and General Government construction reserves and General Fund balance. These projects include a swimming pool, renovations to the John Barton Payne library building, repair and construction of parking lots and tennis courts, HVAC and roof replacement.

### **Fire and Rescue Services Fund**

The Fire and Rescue Services Fund budget for FY 2004 is \$4.0 million or 2.5 percent of the total County budget. This amount represents an increase of \$191,000 or 4.9 percent growth from FY 2003. The Fire and Rescue Fund consists of two elements: Volunteer Fire and Rescue Companies and Fire and Emergency Operations. The importance of providing adequate fire and rescue coverage to Fauquier County citizens is reflected in the retention of the \$.07 special real estate tax levy. The appropriation of revenue generated by this levy will be used to support the increase in various volunteer operational costs such as training, insurance and the establishment of an air tank repair and replacement program. After a 57 percent increase in direct funding to the Volunteer Fire and Rescue Companies in FY 2003, direct funding to the Companies will remain unchanged for FY 2004. Funding increase for Fire and Emergency Operations will provide additional support for training, safety supplies and other operational needs.

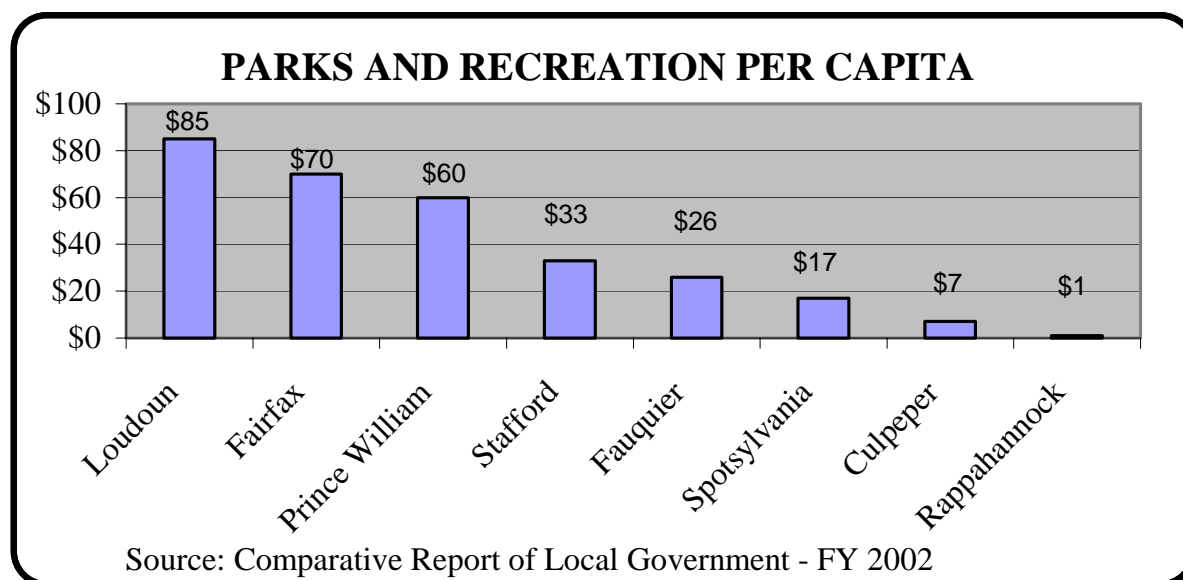
### **Airport Enterprise Fund**

For FY 2004, the Airport Enterprise Fund was increased \$1.8 million or 46.4 percent over the FY 2003 Adopted Budget. Of this increase, \$1.7 million will be used primarily for runway improvements. Federal and State grants will support 98 percent of the project(s). The balance of the increase reflects the provisions of the new Fixed Based Operator lease that provides additional rental income to the County and recognizes a growth in maintenance costs associated with the new lease structure.

### **Parks and Recreation Fund**

For FY 2004, the Parks and Recreation Fund increased \$288,000 or 17.5 percent over the FY 2003 Adopted Budget. Approximately \$208,000 is a transfer from the General Fund with the remaining increase supported by projected sale of goods

and services. Included in this funding is support for the new swimming pool opening at Vint Hill Farms, additional part-time staffing due to expanding Parks and Recreation facilities, two new full-time permanent positions to address maintenance issues and a full-time Manager at Monroe Park. Other operational issues such as increased contract costs for mowing, trash pick-up, electrical service, and equipment replacement contributed to increased funding for FY 2004.



## **ECONOMIC DEVELOPMENT**

The primary focus of the Fauquier County Department of Economic Development is to expand the County's economic base by expanding tax revenue and job opportunities by encouraging new business location and enhanced expansion of local existing businesses. The Board of Supervisors has approved several focus areas for new business development. They are technology, foundations and non-profit organizations, agriculture, low impact manufacturing and tourism and travel trade. With modest real estate and property taxes, additional commercial, retail and manufacturing development mitigates the tax burden of the residential taxpayer and enhances community wealth through local investment and the creation of jobs.

The current labor force in Fauquier County is in excess of 31,000. The County boasts a well-educated labor force with over 27 percent of adults having a bachelor's degree or higher. Fauquier County is becoming home to a growing number of workers who commute to places of employment located within the

greater Washington, D.C. area. Approximately 50 percent of the residents of the County commute outside the County to their place of work. Of note is that over 60 percent of those who work within Fauquier County also live here. A goal of economic development is to encourage more employment opportunities for those residents that commute to jobs outside of the County who would prefer to find well paying jobs within the County.

While national and international factors influence the potential for business growth and expansion in Fauquier County, the unemployment rate (less than 4.0 percent) remains well below the State and national averages. The County also maintains a higher median per capita, median family and median household income than the State and national averages. As a result of the County's location in the rapidly expanding economic area of Northern Virginia, the median value of owner-occupied housing units exceeds \$170,000.

In response to the goal of an expanded economic base, the Department of Economic Development has undertaken several studies. These studies included a public utilities assessment, a Countywide bandwidth/broadband review, an analysis of the benefit and potential of tourism, and a public sector procurement process review. The Board of Supervisors has approved the establishment of a Tourism Advisory Committee and the hiring of a new Tourism Coordinator position within the Department of Economic Development to begin in FY2004. In addition, the Board of Supervisors continues to support and partially fund the Small Business Development Center located at Lord Fairfax Community College, Fauquier County Campus and the Visitors Center operated by the Fauquier Chamber of Commerce.

The Agricultural Development Office has continued to refine and build upon opportunities and successes in the agriculture sector. Promotional efforts, including enhancements to the local agriculture web page, **FauquierAg.com**, and activities such as the Home Grown Dinner and the Small Farm Festival, have resulted in expanding markets for local farmers. These efforts, and others, will strengthen the economic potential of Fauquier County.

### **LOOKING TOWARD THE FUTURE**

This budget addresses many issues identified by the Board of Supervisors, however, there are many competing needs and new resources are limited. While modest revenue growth and reallocation of existing resources has allowed the County to continue excellent service delivery, many needs have been deferred, and new or enhanced services have been limited. As an example, only a minimal

number of essential positions were added by the County Government for FY 2004. With this in mind, future budgets will have to deal with significant issues such as: population growth, employee health insurance, technology, construction, including new and expanded facilities like Auburn Middle School which opens in FY 2005, and the need to balance the compensation requirements of public employees, including teachers, with the expectations of citizens for stable tax rates.

To lessen the impact on services from residential growth, the County will continue a modest Purchase of Development Rights (PDR) Program. The PDR Program will be funded from revenue generated by tax penalties on land in special use tax categories that is sold for development. As this document is being completed, the Board of Supervisors is considering the initial implementation of this program that will also be funded with a \$1.5 million contribution from the Old Dominion Electric Cooperative. It is hoped the PDR program can be expanded in future years to slow the demand for public services in the County's rural areas and to help protect the county's rural heritage.

To meet the many challenges and to maintain a proactive financial posture, Fauquier County has developed a Five Year Financial Plan and is currently negotiating the purchase of a Fiscal Impact Model for operational planning and budget development. Our multi-year projection of revenues and expenditures in the Five Year Financial Plan and the use of a Fiscal Impact Model will permit policy makers and staff to forecast future needs and plan for projected growth, especially the projected growth in the number of school age children. These instruments will be used to determine the impact of commercial and residential development on the County's infrastructure.

To ensure overall operational and budget focus, the County has developed strategies and measures to achieve three primary objectives based on the County's Vision Statement. These objectives are:

1. Balance Quality Service with Fiscal Integrity.
2. Manage Growth in a Manner that Protects the County's Agriculture, Environment, Quality of Life, and Historic Resources.
3. Conduct County Government Openly.

Fauquier County has selected the Balanced Scorecard\* as the method to translate these objectives into tangible strategies, measures and operational terms that are

\*Performance management tool making strategy a continuous process.

easily understood. Using the Balanced Scorecard, County departments and offices can more easily align their activities to the County's objectives, making strategy everyone's responsibility. This tool will be essential in the development of both short and long-term goals and objectives.

In its effort to provide the highest level of services to our citizens, the Board of Supervisors will continue to examine alternatives to tax rate increases. These alternatives will include a review of all current programs for opportunities to increase efficiency through consolidation or elimination of programs or positions; seeking additional non-tax derived revenue sources; limiting the growth of new programs; and seeking new and innovative ways to better involve the public in the budgeting process.

### **ACKNOWLEDGEMENTS**

I recognize, with sincere appreciation, the outstanding efforts of the individuals in the Budget Office in preparing this budget and the services of the Commissioner of the Revenue's Office, the Treasurer's Office, the Finance Department and the Revenue Committee.

I look forward to working with the Board of Supervisors to accomplish, in the most efficient manner possible, the priorities that have been established for the County.

Sincerely,

G. Robert Lee  
County Administrator